



annual
report

SUPERCRETE LTD.

SUPERCRETE LTD. ■ ANNUAL REPORT 1975

Financial Highlights

	Year ended December 31,	
	1975	1974
	(in thousands of dollars)	
Sales	\$23,000	\$20,560
Consolidated net earnings	\$1,594	\$1,010
Working capital at end of year	\$2,536	\$1,583
Shareholders' equity at end of year	\$7,951	\$6,522
Common shares outstanding	1,649,833-2/3	1,649,833-2/3
Number of common shareholders at year end	3,303	3,354
Per Share		
Consolidated net earnings	\$0.97	\$0.61
Dividends	\$0.10	\$0.10
Shareholders' equity at year end	\$4.82	\$3.95

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the head office of the Company, 222 Provencher Avenue, Winnipeg, Thursday, April 29, 1976 at 2:00 p.m.

A copy of the Company's 1975 report filed with the Securities and Exchange Commission, on Form 10-K, is available to shareholders on request. This report can be obtained by writing to Supercrete Ltd., 222 Provencher Avenue, Winnipeg, Manitoba R2H 0G5.

FRONT COVER — Various projects utilizing concrete products manufactured by the company.



To Supercrete Shareholders:

Your Directors are pleased to submit herewith the consolidated financial statements of your Company and its subsidiary for the year ended December 31, 1975.

The year 1975 was successful with net earnings of \$1,593,970 (97c per share) compared to 1974 earnings of \$1,010,000 (61c per share). Consolidated sales increased approximately 12% over 1974 to \$23,000,130. Increased earnings are due to market conditions and increased efficiency in the production and distribution sectors where significant cost savings resulting from major capital expenditures undertaken during the past several years, including 1975, have proven their beneficial effect.

Working capital increased by \$952,862 to \$2,535,593 at December 31, 1975, further strengthening the liquid position of the Company. Capital expenditures totalled \$1,550,943 during 1975. Of this amount, \$1,108,841 represents expenditures by the Alberta-based subsidiary company on expansion and modernization of facilities in both Calgary and Edmonton.

We were saddened by the death in January of Mr. J. Henry Borger, the Vice-President of the Company, and a director since 1961. In addition to having an extremely active participation in the affairs of the Company, Mr. Borger had extensive business, community and church interests. He will be greatly missed not only by the Company but also by the whole Winnipeg community. His son, Alan A. Borger, the President of Borger Industries Limited, has been appointed a director and Vice-President of the Company in his place.

The outlook for 1976 is promising insofar as requirements for our products are concerned; however, the uncertainties resulting from the "Anti-Inflation Act" proclaimed by the Government of Canada on October 14, 1975 make it more difficult for us at this stage to predict our 1976 earnings.

A major program of plant construction and relocation is being undertaken with respect to the Winnipeg-based facilities. This program, estimated to cost \$7,250,000, will result in your Company having modern and efficient facilities capable of meeting the demand for quality concrete products in the Winnipeg area for the foreseeable future. Financing for this undertaking has been arranged with the Company's bankers on a term basis.

The Directors take this opportunity to acknowledge their grateful appreciation to our employees and customers for their respective contributions to the Company.

On Behalf of the Board

FRANK M. FOWLER
President



February 13, 1976

AUDITORS' REPORT

To the Shareholders of
Supercrete Ltd.:

We have examined the consolidated balance sheet of Supercrete Ltd. and its subsidiary company as at December 31, 1975 and 1974 and the consolidated statements of earnings and retained earnings and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

SUPERCRETE LTD. *and its subsidiary company*

Consolidated Statement of Earnings and Retained Earnings

	Year ended December 31	
	1975	1974
Sales and other income	\$23,000,130	\$20,559,859
Cost of sales and expenses:		
Cost of sales, exclusive of depreciation and depletion shown below	17,522,147	16,559,973
Selling, general and administrative expenses	1,366,968	1,206,789
Depreciation and depletion	877,463	750,354
Amortization of excess purchase price	13,254	13,253
Gain on sale of fixed assets	—	(120,779)
Interest-		
On long-term debt	27,300	36,400
On bank loans	384,028	369,931
	<u>20,191,160</u>	<u>18,815,921</u>
Earnings before income taxes	2,808,970	1,743,938
Income taxes:		
Current	900,000	492,738
Deferred	315,000	241,200
	<u>1,215,000</u>	<u>733,938</u>
Net earnings for the year	1,593,970	1,010,000
Retained earnings at beginning of year	4,766,302	3,921,185
Dividend paid (10c per share)	(164,882)	(164,883)
Retained earnings at end of year	<u>\$ 6,195,390</u>	<u>\$ 4,766,302</u>
Earnings per share	<u>\$0.97</u>	<u>\$0.61</u>

SUPERCRETE LTD.

Consolidated

ASSETS

December 31

	<u>1975</u>	<u>1974</u>
Current assets:		
Cash	\$ 62,338	\$ 57,420
Accounts receivable	4,428,999	4,364,801
Inventories (note 2)	3,608,369	3,453,238
Prepaid expenses	25,344	20,284
	<u>8,125,050</u>	<u>7,895,743</u>
Property, plant and equipment, at cost (note 3)	14,398,075	13,036,834
Less: Accumulated depreciation and depletion	<u>8,178,098</u>	<u>7,490,337</u>
	6,219,977	5,546,497
Excess of cost of investment in subsidiary over net tangible assets at date of acquisition, less amortization of \$39,720 (1974 - \$26,466)	490,420	503,674
Approved by the Board:		
F. M. FOWLER, Director		
D. G. GRIFFIN, Director		
	<u>\$14,835,447</u>	<u>\$13,945,914</u>

Balance Sheet

LIABILITIES

	December 31	
	1975	1974
Current liabilities:		
Bank loans, secured (note 4)	\$ 3,120,000	\$ 3,500,000
Accounts payable and accrued liabilities	1,770,948	2,271,534
Income taxes payable	392,809	236,778
Deferred income taxes	305,700	304,700
	5,589,457	6,313,012
Long-term debt (note 5)	260,000	390,000
Deferred income taxes	1,034,700	720,700
Commitments (notes 6 and 7)		
	6,884,157	7,423,712

SHAREHOLDERS' EQUITY

Capital stock:		
1,649,833-2/3 common shares — par value 75c each (authorized —1,666,666-2/3 shares)	1,237,375	1,237,375
Contributed surplus	518,525	518,525
Retained earnings	6,195,390	4,766,302
	7,951,290	6,522,202
	\$14,835,447	\$13,945,914

SUPERCRETE LTD. *and its subsidiary company*

Consolidated Statement of Changes in Financial Position

	Year ended December 31	
	1975	1974
Working capital was provided by:		
Operations —		
Net earnings for the year	\$ 1,593,970	\$1,010,000
Depreciation and depletion	877,463	750,354
Amortization of excess purchase price	13,254	13,253
Increase in non-current portion of deferred income taxes	314,000	202,600
Gain on sale of fixed assets	—	(120,779)
Funds provided by operations	2,798,687	1,855,428
Working capital was applied to:		
Payment on long-term debt	130,000	130,000
Expenditure on property, plant and equipment (net)	1,550,943	1,208,441
Dividend paid	164,882	164,883
	1,845,825	1,503,324
Increase in working capital	952,862	352,104
Working capital at beginning of year	1,582,731	1,230,627
Working capital at end of year	\$ 2,535,593	\$1,582,731

Notes to Consolidated Financial Statements

December 31, 1975 and 1974

1. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES:

Principles of consolidation —

The consolidated financial statements include the accounts of Supercrete Ltd. and its wholly-owned subsidiary company, Supercrete (Alberta) Ltd. In 1973 the Company adopted the policy of amortizing over 40 years the excess of the cost of its investment in the subsidiary company over net tangible assets at date of acquisition.

Revenue recognition —

Revenue from sales of ready-mixed concrete, block, pipe, aggregate and other products is recorded at the time of shipment. Revenue from construction contracts is recorded when identifiable sections of the contracts are completed or when the whole contract is substantially completed. Losses are provided for as soon as they become evident.

Inventories —

Finished goods and raw materials are stated at the lower of average cost and estimated realizable value. Merchandise, supplies and spare parts are stated at the lower of cost (on a first-in first-out basis) and replacement cost. Incomplete contracts are stated at cost, less progress billings.

Property, plant and equipment —

Property, plant and equipment are carried at cost. Expenditures for renewals and betterments to existing assets are capitalized at cost. Assets retired or otherwise disposed of, together with related amounts of accumulated depreciation, are removed from the accounts. Profits or losses on sales of properties are shown in the statement of earnings. Maintenance and repairs are expensed as incurred.

Depreciation and depletion —

Depreciation is provided over the estimated useful lives of the assets on the straight-line method. The rates used are as follows:

Yard improvements	4%
Buildings, depending on type of construction	5% or 10%
Equipment, depending on type	10% to 20%

Depletion is provided on gravel and sand pits on the basis of quantities used in relation to estimated total usable quantities at each pit. Leasehold improvements are written off over the terms of the leases including the first renewal period, if any.

2. INVENTORIES:

	1975	1974
Finished goods and merchandise	\$ 1,638,612	\$ 1,172,545
Raw materials and manufacturing supplies	1,400,510	1,717,434
Plant supplies and spare parts	225,361	232,931
Incomplete contracts, at cost, less \$293,002 progress billings (1974 - \$347,540)	343,886	330,328
	<u>\$ 3,608,369</u>	<u>\$ 3,453,238</u>

3. PROPERTY, PLANT AND EQUIPMENT:

	1975	1974
Land	\$ 477,697	\$ 477,697
Gravel and sand pits	106,761	106,761
Yard improvements	605,541	592,338
Buildings	2,278,293	2,018,396
Machinery and equipment	8,692,501	7,777,226
Moulds, dies and jigs	1,856,712	1,650,104
Construction in progress	148,904	182,646
Leasehold improvements	231,666	231,666
	<u>14,398,075</u>	<u>13,036,834</u>
Less: Accumulated depreciation and depletion	<u>8,178,098</u>	<u>7,490,337</u>
	<u>\$ 6,219,977</u>	<u>\$ 5,546,497</u>

4. BANK LOANS, SECURED:

Accounts receivable and inventories are pledged as security.

5. LONG-TERM DEBT:

Promissory notes are payable \$130,000 annually on December 31, 1976 and 1977, together with interest at 7%.

6. COMMITMENTS:

The Company is committed under property lease agreements for periods up to seven years at a minimum annual rental of \$108,000 with options to renew certain leases for further periods up to 27 years at varying rentals.

7. PLANT CONSTRUCTION AND RELOCATION:

The Company is undertaking new plant construction and relocation for completion in July 1977 at an estimated cost of \$7,250,000. Financing has been arranged on the basis of a term bank loan.

8. INFORMATION REQUIRED BY STATUTE:

Remuneration of directors, officers and senior employees - \$174,000 (1974 - \$155,000).

9. ANTI-INFLATION PROGRAM:

The Company and its subsidiary company are subject to controls on prices, profits, compensation and dividends instituted by the Government of Canada in the Anti-Inflation Act effective October 14, 1975. At this time there are a number of general uncertainties concerning implementation of the program so that the impact on the companies' future operations cannot be accurately determined. The Company has used its best efforts to comply with the guidelines since their announcement.



Review of Supercrete Operations

The business of Supercrete is the manufacture and distribution of a full range of concrete products which are used in all types of commercial, industrial and residential construction as well as in the construction of bridges and other types of engineering construction.

The Company's operations are confined principally to the provinces of Manitoba and Alberta and Northwestern Ontario. Supercrete's head office and main plant facilities are located in Winnipeg, Manitoba with subsidiary operations in the cities of Calgary and Edmonton, Alberta. Due to climatic conditions the operations are seasonal in nature with employment ranging from 450 to 575 (total all locations) of which approximately 85% are directly involved in the manufacture and distribution of its products and 75% are represented by unions.

The following briefly summarizes the Company's operations in each of its locations:

Manitoba operations

Supercrete's operations in Manitoba encompass the manufacture and distribution of a full range of concrete and lightweight block, concrete pipe, precast and prestressed products, ready-mix concrete and aggregate products. In addition, the Company distributes various building supplies which are closely related to the products of its own manufacture.

Transportation costs generally limit the market for ready-mix concrete and aggregates to the Winnipeg area, which has a population of approximately 550,000; however, block, pipe and precast products are marketed throughout the province of Manitoba and in Northwestern Ontario. Approximately 80% of the Company's Manitoba business is done in the Winnipeg area. The Company distributes the majority of its products by its own fleet of trucks and by hired common carriers.

The concrete products industry is highly competitive in the Manitoba market where excessive production capacity relative to local market requirements exists. In addition, concrete products compete with other construction materials.

Supercrete produces its own aggregate requirements which it obtains from reserves located on lands leased from the Province of Manitoba. Known reserves of aggregate supplies are considered adequate to meet the Company's requirements for at least 50 years.

Alberta operations

Supercrete operates under the corporate name of Supercrete (Alberta) Ltd. with divisions in each of the cities of Calgary and Edmonton. Each location manufactures concrete pipe used principally in the construction of municipal sewer and drainage facilities.

Edmonton precast operations are engaged mainly in the production of structural precast/prestressed products such as bridge girders and floor and roof slabs. Calgary precast operations comprise mainly the production of architectural precast wall panels and precast underground vaults for telephone and other communication installations.

The concrete pipe and precast/prestressed products industry is highly competitive in the Alberta market area; however, the rapid expansion of the Alberta economy, mainly as a result of oil and gas exploration and development, has resulted in all plants producing at full capacity. It is expected that this high level of economic activity will continue for the foreseeable future.

The following table indicates the composition of the Company's sales and pre-tax profits by line of business for each of the last five years.

Item	Percent of Total									
	1975		1974		1973		1972		1971	
	Sales	Profits	Sales	Profits	Sales	Profits	Sales	Profits	Sales	Profits
	%	%	%	%	%	%	%	%	%	%
Supercrete Ltd.										
Block, pipe and precast (Note 1)	33	36	28	26	33	26	43	28	45	37
Ready-Mix and aggregate (Note 2)	25	30	24	33	30	48	38	67	45	65
Other	3	3	3	3	4	5	5	4	5	4
Supercrete (Alberta) Ltd.										
Pipe and precast (Note 1)	39	31	45	38	33	21	14	1	5	(6)
Total	100	100	100	100	100	100	100	100	100	100

- Notes: 1. Because of the similarity of products, methods of manufacture, common production and sales overheads, it is impractical to segregate the pre-tax profits of each particular product line.
2. Ready-mix and aggregate operations are grouped as approximately 55% of the aggregates produced are transferred to and consumed by the ready-mix division.



Prestressed and post-tensioned concrete stoplogs designed and supplied for a hydro generating station at Jenpeg, Manitoba. Each stoplog is 55 feet long and are shown installed in four upstream bays to withhold a maximum of 83 feet of water.

SUPERCRETE LTD. *and its subsidiary company*

Summary of Consolidated Statement of Earnings and Retained Earnings

	For the years ended December 31,				
	1975	1974	1973	1972	1971
Sales and other income	\$23,000,130	\$20,559,859	\$14,204,986	\$12,108,425	\$8,650,639
Earnings before income taxes ..	2,808,970	1,743,938	1,180,001	1,324,989	860,525
Income taxes	1,215,000	733,938	499,819	646,078	439,138
Net earnings for the year	1,593,970	1,010,000	680,182	678,911	421,387
Retained earnings at beginning of year	4,766,302	3,921,185	3,405,880	2,891,840	2,602,351
	6,360,272	4,931,185	4,086,062	3,570,751	3,023,738
Dividends paid	164,882	164,883	164,877	164,871	131,898
Retained earnings at end of year	\$6,195,390	\$4,766,302	\$3,921,185	\$3,405,880	\$2,891,840
Earnings per share (1,649,833-2/3 shares)	\$0.97	\$0.61	\$0.41	\$0.41	\$0.26
Dividends paid per share	\$0.10	\$0.10	\$0.10	\$0.10	\$0.08

Price Range of Common Stock

The Company's Common Shares have been listed on the American Stock Exchange since May, 1960.

The price range of the Company's Common Shares on the American Stock Exchange for each quarterly period during the last two calendar years is as follows:

	1975		1974	
	High	Low	High	Low
1st quarter	2-1/2	1-5/8	2-7/16	2
2nd quarter	2-1/2	2	2-3/8	1-5/8
3rd quarter	3-1/2	2-1/8	1-3/4	1-1/2
4th quarter	2-1/2	2-1/8	2	1-1/2
Yearly	3-1/2	1-5/8	2-7/16	1-1/2

Dividends

The Company paid annual dividends of \$0.10 per share in each of the years 1974 and 1975.

Management's Analysis of the Consolidated Statement of Earnings

1975 COMPARED TO 1974

Consolidated sales volume increased by 11.9% over 1974. Sales in the Manitoba area of operations increased by 22.2% over 1974, while Alberta sales decreased 1.3% from the record levels of 1974.

Earnings increased substantially in all areas of operations, with consolidated net earnings increasing by 57.8% over 1974. The increased earnings are due mainly to increased productivity and cost savings resulting from significant capital expenditures undertaken during the past several years and to improved market conditions.

Interest expense, though not increasing significantly in amount over 1974, remained high as a result of the continued high level of bank borrowing necessary to finance capital expenditures and higher levels of accounts receivable and inventories resulting from increased sales.

1974 COMPARED TO 1973

Consolidated sales volume increased by 44.7% over 1973. This increase was due principally to the high level of construction activity in the province of Alberta, where sales volume increased by 93.8% over 1973. The Winnipeg construction market was more active than in 1973, resulting in an increase in volume of 20.7% in the current year.

During 1974 a parcel of vacant land which had been purchased several years ago was disposed of and a net book profit of approximately \$120,000 was realized.

Interest expense on bank indebtedness increased substantially over 1973 due to both higher interest rates and increases in total borrowing required to finance higher levels of accounts receivable and inventories resulting from increased sales.

Earnings before income taxes increased by 47.8% over 1973. A slightly lower effective tax rate in 1974 resulted in a 48.5% increase in net earnings after taxes.

SUPERCRETE LTD. ■ ORGANIZATION

HEAD OFFICE — 222 PROVENCHER AVENUE, WINNIPEG, MANITOBA

DIRECTORS

FRANK M. FOWLER — General Manager and Director of Nelson River Construction Ltd.
(heavy construction contractor)

ALAN A. BORGER — President of Borger Industries Ltd. (contractors and engineers)

DESMOND G. GRIFFIN — Vice-President and General Manager, Canada Cement Lafarge Ltd.,
Western Region (cement manufacturers)

DONALD A. THOMPSON, O.C. — Partner, Thompson, Dorfman, Sweatman (barristers and solicitors)

CHARLES P. SCHWARTZ, JR. — Financial and business consultant, Chicago, Illinois

OFFICERS

FRANK M. FOWLER, *President*

ALAN A. BORGER, *Vice-President*

DESMOND G. GRIFFIN, *Vice-President*

FRED R. DUNSMORE, *General Manager*

ERNEST REIMER, *Secretary-Treasurer*

TRANSFER AGENTS AND REGISTRARS

Montreal Trust Company
WINNIPEG, Canada

The Bank of New York
NEW YORK, U.S.A.

SOLICITORS

Thompson, Dorfman, Sweatman

AUDITORS

Price Waterhouse & Co.



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